

BEFORE THE UNITED STATES
POSTAL RATE COMMISSION
WASHINGTON, D.C. 20268-0001

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POSTAL RATE COMMISSION
OFFICE OF THE SECRETARY

POSTAL RATE AND FEE CHANGES, 2000

) Docket No. R2000-1
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**RESPONSE OF THE MAIL ORDER ASSOCIATION OF AMERICA
TO MEMORANDUM OF UNITED STATES POSTAL SERVICE
ON RECONSIDERATION**

In accordance with Commission Order No. 1301, the Mail Order Association of America ("MOAA") responds to the Memorandum of the United States Postal Service ("USPS") on Reconsideration. This response is limited to that portion of the USPS Memorandum addressing the Commission's recommended rates for Bound Printed Matter, as found on pages 28-31.

It is the position of MOAA that the rates recommended for Bound Printed Matter should not be changed even assuming that the Commission determines that the Postal Service is correct in concluding that the revenues that would be produced by the recommended rates have been miscalculated. MOAA's position is based upon two propositions. First, the rates that have been recommended by the Commission represent a large increase over existing rates, a rate increase of nearly 10 percent, assuming the accuracy of the Postal Service's calculations. Further the Commission rates result in a cost coverage of 108 percent. Under the circumstances of this case that represents, if anything, an excessive cost coverage.

In its decision, the Commission established a recommended cost coverage for "Outside County" Periodicals of 100.6 percent. This cost coverage represents a

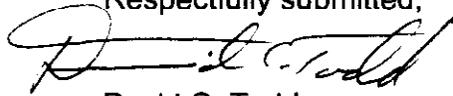
miniscule institutional cost burden for Periodicals. The Commission explained that this “reflects a constrained coverage to moderate the impact of the sustained, substantial underlying cost increases in this class.” PRC Op., Dock. No. R2000-1 at 445. That rationale applies with equal force to Bound Printed Matter. Certainly, if under the circumstances of this proceeding a cost coverage of 100.6 percent is appropriate for Periodicals, a substantially higher cost coverage of 108 percent is appropriate for Bound Printed Matter.

The similarities between BPM and periodicals go beyond the fact that both classes have had substantial, and unexplained, cost increases. The two classes also contain about the same overall percentage of editorial matter. Therefore, the lower cost coverage that would result from maintaining the Commission’s recommended BPM rates is fully justified by the application of factor 8, the ECSI value of BPM. The percentages of editorial matter for BPM and Periodicals are essentially identical. See MOAA Initial Brief at 223-24. Because of the large cost increases and the ECSI value of BPM, MOAA initially supported a cost coverage of no more than 101 percent. Certainly, a cost coverage of 108 percent is amply justified.

Second, the Commission’s decision should take into account the anticipated, but not fully quantifiable, cost savings that will result from the substantial modifications in the BPM rate design proposed by the Postal Service and recommended by the Commission. The mailers’ reaction to the new rate design will result in BPM cost savings that are not reflected in the USPS filing. In this connection, MOAA endorses the discussion of that issue as found in the response of the Association for Postal Commerce to the Postal Service’s Memorandum.

Finally, MOAA strongly endorses the Postal Service's position that the work sharing differentials reflected in the Commission's recommended rates should be maintained. The Postal Service states: "If . . . the Commission should deem it appropriate to change its Bound Printed Matter rate recommendations, the Postal Service requests that the Commission's new rates not reduce the work sharing differentials reflected in the" Commission recommended rates. USPS Memorandum at 31. The rate differentials, and particularly the rate differential for BPM entered at the DDU, represent the minimum levels necessary to induce mailers to enter mail as close as possible to delivery points. Regardless of what the Commission's decision (and ultimately the Governors' decision) may be on overall rate levels, it would be severely damaging if the Commission were to fail to maintain the relative differentials contained in the currently effective rates.

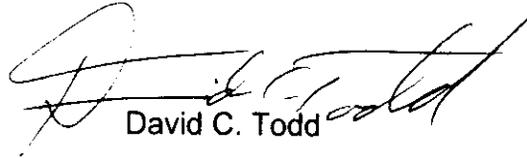
Respectfully submitted,



David C. Todd
PATTON BOGGS LLP
2550 M. Street, NW
Washington, D.C. 20037-1350
Telephone: (202) 457-6410
Counsel for Mail Order Association of America

CERTIFICATE OF SERVICE

I hereby certify that I have caused these Comments to be served upon all participants of record in accordance with Section 12 of the rules of practice this 12th day of January, 2001.



David C. Todd